Telia AB

The Telia Group

Semiannual Report
January–June 2000

Telia AB (publ)
SE-123 86 FARSTA
Company reg. no. 556103-4249
Reg'd. office: Stockholm
www.telia.com

The Telia Group

January–June 2000

- **Net sales increased 3.4% for comparable units, to MSEK 26,037.**
- **Operating income jumped 69%, to MSEK 3,870, including MSEK 1,975 in capital gains.**
- **Underlying EBITDA declined as a result of price cuts and new ventures.**
- **The customer base expanded vigorously in the Nordic countries – 533,000 new GSM customers were won in Sweden, Denmark, and Finland**
- **Telia acquired the Norwegian mobile operator NetCom ASA – 750,000 new customers.**
- **Demand was strong for broadband: The 120 general agreements signed cover a total of 557,000 households.**
- **Internet grew apace, as Telia gained 80,000 new customers in Sweden.**
- **Telia continued to extend its international fiber-optic network.**
- **A new share issue raised MSEK 12,241 in new capital for Telia.**

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Net sales	26,037	25,463	52,121
Sales growth (%)	2.3	6.8	5.1
EBITDA[1)]	7,566	6,009	13,598
one-off charges and pensions	-1,517	904	1,184
share of earnings in associated companies	68	337	-723
Underlying EBITDA	6,117	7,250	14,059
Underlying EBITDA margin (%)	23.5	28.5	27.0
Operating income	3,870	2,291	5,946
Income after financial net	3,792	2,291	5,980
Net income	2,698	1,598	4,222
Earnings per share (SEK)	0.94	0.56	1.48
Return on equity (%)	13.7	14.2	14.2
Investments[2)]	20,686	5,112	12,145
of which shares and participations	3,265	1,709	4,109

1) Operating income before depreciation and amortization
2) Including NetCom ASA

Information to the press

Jan Åke Kark, President and CEO, +46 8 713-6220
Reinhold Geijer, Senior Executive Vice President and CFO, +46 8 713-6560
Tobias Lennér, Head of Investor Relations, +46 8 713-6649

Financial information

Interim Report, January–September 2000	November 9
Annual Report Summary, January–December 2000	February 19

All financial reports are produced by Telia AB, Investor Relations. Submit any questions you may have on the content of these reports by mail to Telia AB, Investor Relations, SE-123 86 Farsta, Sweden, by phone to +46 8 713-1000, by fax to +46 8 933-801, or on-line at www.telia.com, Investor Relations. Reports can be ordered by phone to +46 8 713-7143, by fax to +46 8 604-5472, or through www.telia.com, Investor Relations, News Service.

Trends in the First Half

High-growth areas achieved strong performance. The mobile operations significantly boosted the number of customers at the same time as the business began to roll out mobile Internet portals in the international market.

By substantially expanding its customer base and acquiring NetCom ASA in Norway, Telia bolstered its position as the leading mobile operator in the Nordic countries.

Demand for broadband was enormous. At June 30, 120 general agreements had been signed with property owners, enabling Telia to supply broadband connections to a total of 557,000 households in Sweden, not including the cable-television activities in com hem. A shortage of capacity among suppliers of ADSL equipment severely limited the number of broadband connections that Telia was able to install.

The shortages have now been remedied. Telia is stepping up the pace of installation and estimates that from October the pace of installation will be able to satisfy demand.

In the carrier operations, the international fiber-optic network is being expanded rapidly to satisfy anticipated heavy demand for the transport of IP and Internet-based traffic.

The investments that Telia is making in the high-growth areas of Internet, broadband, carrier, and mobile services are aimed at strengthening the Company's market position and growth in the long run. These investments are not expected to have a positive impact on earnings in 2000.

Lower sales of fixed telephony to the end-customer market should be seen in the context of the first ever decline in the total Swedish market in terms of value. The decline resulted from lower prices and greater use of mobile communications and e-mail as substitutes for conventional telephony.

In the past year, fixed telephony rates have been cut several times. In the latter half of 1999, Telia cut the price for calls from fixed lines to mobile numbers and reduced certain international tariffs. At the start of 2000, a local tariff was introduced for all domestic calls, while rates for calls from the fixed to mobile networks were cut again.

These rate cuts resulted in a price level that was 8% lower than for the same period the preceding year.

Additional decreases in price, including reducing international rates by half, are planned for the second half of 2000. The price level for full-year 2000 is expected to be about 8% lower than in 1999.

The traditional basic telephone service business continued efforts to adapt resources and capacity to reduced sales.

Expansion in the neighboring Nordic countries focused on customer segments and product areas where Telia has the prerequisites to compete successfully and profitably.

Review of the Group

Sales

The Telia Group's net sales for the first six months totaled MSEK 26,037, up 2.3% from the same period the preceding year. Adjusting for divested businesses, the rise was 3.4%.

During the period, the level of prices for the Group's services and products declined 6% on average, which means that total sales volumes rose 10%.

External Net Sales by Business Area and Service

	Jan–Jun 2000		Jan–Jun 1999	Full Year 1999
	MSEK	%	MSEK	MSEK
Mobile	**4,869**	**21.7**	**4,002**	**8,656**
Mobile telephony	4,518	22.6	3,684	7,971
Other	351	10.4	318	685
Carrier & Networks	**2,690**	**30.1**	**2,067**	**4,328**
International Carrier	1,236	12.2	1,102	2,137
Network wholesaling, Nordic markets	1,454	50.7	965	2,191
Business/People Solutions	**14,137**	**-7.5**	**15,276**	**30,130**
Telephony	10,656	-10.0	11,845	23,115
Leased lines	797	6.4	749	1,560
Data communications	925	-13.0	1,063	2,020
Internet	722	16.3	621	1,255
Consulting	167	32.5	126	328
Other	870	-0.2	872	1,852
Enterprises	**4,273**	**4.5**	**4,088**	**8,982**
Infomedia	1,943	18.5	1,640	4,057
Financial Services	292	69.8	172	361
Systems & Support	1,447	-13.9	1,680	3,375
Other	591	-0.8	596	1,189
Group-wide	**68**	**126.7**	**30**	**25**
Total	**26,037**	**2.3**	**25,463**	**52,121**

Revenue growth was primarily attributable to mobile services and the network wholesaling business in the Nordic countries. Outstanding customer growth helped the Mobile business area lift its external sales 22%.

In the Nordic network wholesaling business, sales surged 51% as a result of higher sales of telephony traffic to external operators and service providers. The international carrier business lifted net sales 12% despite rate cuts.

Broadband enjoyed strong demand, but the lack of ADSL equipment limited Telia to installing only 24,000 broadband connections to date. Broadband installations on a large scale starting in the fourth quarter of 2000 are expected to generate higher revenues in the broadband business.

Demand for Internet access remained strong. The number of customers in the Swedish market rose 80,000 during the period, to 693,000.

For the Business Solutions and People Solutions business areas, net sales in Sweden for fixed telephony dropped 10%. The decline resulted from substantial rate cuts, totaling 8%, and the preselect reform carried out in the autumn of 1999. The loss of revenue in the end-customer market was partly offset by higher revenues on interconnect traffic for the network wholesaling business.

In the second quarter, net sales inched up 1.9%, adjusted for divested operations. The price level declined 6% on average, so sales volumes were up 8%.

Earnings

The Group's operating income for the first six months increased, from MSEK 2,291, to MSEK 3,870, year on year. The main causes of the rise were capital gains and other one-off charges primarily attributable to the first quarter of 2000. During the first half, Telia divested its operations in Norway (MSEK +1,540) and part of its stake in Scandinavia Online (MSEK +160). The Group's share in client company funds at SPP, totaling MSEK 475, was recognized as revenue.

Underlying EBITDA and Operating Income

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Mobile	1,233	1,385	3,497
Carrier & Networks	3,996	4,318	7,925
Business Solutions	262	531	866
People Solutions	437	823	1,636
Enterprises	983	1,316	2,947
Group-wide	-794	-1,123	-2,812
Underlying EBITDA	**6,117**	**7,250**	**14,059**
Depreciation, amortization, and write-downs	-3,696	-3,718	-7,652
One-off charges and pensions	1,517	-904	-1,184
Share of earnings in associated companies	-68	-337	723
Operating income	**3,870**	**2,291**	**5,946**

To show the trend in earnings in the Group's majority-owned core operations, the term "underlying EBITDA" is used, which describes operating income excluding one-off charges and the share of earnings in associated companies, with depreciation and amortization added back.

The Group's underlying EBITDA for the first six months totaled MSEK 6,117, down almost 16% from the same period the preceding year. Income declined in just about all business areas, though the causes of the decline differed.

In the Mobile business area, one consequence of robust customer growth was a sharp rise in the total cost of recruiting customers. Price cuts and expenses for international expansion also contributed to weaker earnings.

Initiatives undertaken now to expand the international carrier business are having a negative impact on income from the Carrier & Networks business area, and in the corresponding period of 1999 an agreement was reached concerning extensive network capacity.

In the People Solutions and Business Solutions business areas, income declined owing partly to tighter margins that resulted from a steep drop in prices and lower volumes in the fixed telephony business in Sweden, as well as investment under way in areas that promise high growth in the future.

The decline in income for the Enterprises business area was primarily attributable to initiatives to develop infrastructure and services in the Swedish cable-TV operation com hem.

Share of earnings in associated companies improved during the first six months of 2000, from MSEK –337 to MSEK –68. The divestment of companies in the Unisource group had a positive effect (MSEK +1,033), while provisions made by Eircom for restructuring (MSEK –485) had a negative effect on earnings.

Share of Earnings in Associated Companies

MSEK	Business area	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Netia Holdings	Business Sol'n	-167	-165	-327
Baltic states	Mobile/ Business Sol'n	72	74	139
Unisource	Business Sol'n	1,063	206	1,534
Eircom	Business Sol'n	-520	-6	409
Telia Overseas	Enterprises	-643	-812	-1,347
Other associates		127	366	315
Total		**-68**	**-337**	**723**

Associated companies in the Baltic region and northwestern Russia reported favorable performance in terms of income and net sales. In Poland, Netia was awarded a license for Warsaw, so that the company's licenses cover about 40% of the country's 39 million inhabitants.

For the second quarter, underlying EBITDA equaled MSEK 2,857, down 21% year on year. The main cause of this deterioration in income was higher costs for recruiting customers to the Mobile business area.

One-Off Charges and Pensions

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Personnel restructuring	–	-357	-722
Pension commitments etc. [1)]	189	-341	189
Stock exchange listing [2)]	-232	–	-226
Year 2000 compliance	–	-229	-604
Capital gains/losses	1,732	430	582
Total	**1,689**	**-497**	**-781**
Excluding capital gains in associated companies	1,517	-904	-1,184

1) Client company funds at SPP increased income for the first half of 2000 by MSEK 475.

2) In addition to IPO underwriting costs charged to income, MSEK 277 was charged to equity, resulting in total costs of MSEK 509 before tax. The costs for full year 1999 refer to preparations for integration with Telenor.

The effects of one-off charges and the share of earnings in associated companies were unevenly distributed over the six months. Operating income for the first quarter was affected by capital gains and other nonrecurring items as well as the share of earnings in associated companies for a total of MSEK +1,958, while the corresponding effect in the second quarter was MSEK –509.

Financial Position

The Group's financial position was affected by the issue of new shares and the acquisition of NetCom ASA in June. The balance sheet total increased greatly, and the

rate of turnover of capital as well as the interest coverage rate decreased from year-end 1999. At the same time, the equity/assets ratio improved.

MSEK	Jan–Jun 2000	Full Year 1999	Full Year 1998
Interest coverage rate (multiple)	7.7	8.5	10.4
Growth of the balance sheet (%)	39.5	13.9	2.1
Rate of turnover of capital (multiple)	0.59	0.72	0.74
Equity/assets ratio (%)	43.1	41.0	41.5
Capital employed	68,245	50,936	43,440
Operating capital	46,259	39,160	34,921
Net interest-bearing claim/liability	-319	7,527	6,767
Debt/equity ratio (multiple)	n/a	0.24	0.24

The proceeds from the share issue were used partly to repay loans. This and increased short-term interest-bearing loans to the associated company Comsource for payment of the additional consideration for the purchase of Eircom shares resulted in the Group having a net interest-bearing claim at the end of the period.

Investments

Investments were up sharply from one year previous. The rise resulted primarily from goodwill in the acquisition of NetCom but also stemmed from intensified investment in the growth areas mobile services and international carrier as well as broadband infrastructure in Sweden.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Investment by Type of Asset			
Goodwill	11,395	19	335
Other intangible assets	337	62	373
Properties	353	23	53
Machinery and equipment	5,336	3,299	7,275
Fixed telephony installations	*766*	*823*	3,364
Mobile telephony installations	*431*	*485*	*1,166*
Other machinery and equipment	*4,139*	*1,991*	*2,745*
Shares and participations	3,265	1,709	4,109
Total	**20,686**	**5,112**	**12,145**
Investment by Market			
Sweden	6,685	2,748	6,266
Other Nordic countries	11,959	481	1,133
Baltic region	741	698	785
Rest of world	1,301	1,185	3,961
Total	**20,686**	**5,112**	**12,145**

Cash Flow

Cash flow from operating activities was stronger than in the same period of 1999. However, operating cash flow weakened as a result of the surge in net investment. The new share issue in June resulted in cash flow (change in liquid funds) and net cash flow (change in net interest-bearing liability) for the period ending on the plus side.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Cash flow from operating activities	4,823	4,521	10,398
Operating cash flow	-4,532	-1,339	-532
Cash flow for the period	3,850	560	1,019
Net cash flow	7,846	-3,061	-760

At June 30, the acquisition of NetCom had had a negligible effect on cash flow.

Acquisitions and Divestitures

In February, Telia acquired 29.5% of the shares in Luxembourg-based First National Holding S.A., which has stakes in several mobile and fixed network operators in northwestern Russia.

At the start of April, Telia became the owner of 11% of the shares in Netia 1 Sp. z o.o. The company, in which Telia's associated company Netia Holdings S.A. owns an additional 38%, has been awarded a license for long-distance telephony in Poland. In June and July, Telia upped its holding in Netia Holdings S.A., to 48.2%.

In February, Telia added 19.9% of the shares in the Brazilian company Eriline Celular S.A. to its holdings, boosting Telia's stake to 49.9%. Eriline owns a small interest in the mobile operator Tess S.A., which operates in the state of São Paulo.

In May, the U.S. subsidiary Telia Internet, Inc., acquired the operations of the Internet service provider (ISP) Apex Global Information Services, Inc. (AGIS).

During the period, Telia Business Innovation acquired shares in several more small development companies. In May, the holding in Altitun AB was sold to the U.S. company ADC Telecommunications, Inc.

In June, Telia's associated company Scandinavia Online AB (SOL) was listed on the stock exchange. Following additional purchases in July, Telia owns 22% of the company's shares.

At the end of June, about 51% of the Norwegian mobile operator NetCom ASA was acquired. After making a bid for all outstanding shares, Telia now controls 99% of the company's stock.

The cable-TV operations in Denmark were expanded in July through the acquisition of all shares in Jydsk Central Antenne A/S.

Together with Volvo and Ericsson, an associated company called WirelessCar Sweden AB was founded during the period, with all partners having equal stakes, to develop wireless applications for the automotive industry.

At January 1, 2000, the majority of the Group's operations in fixed telephony in Norway was sold to Enitel ASA. Telia will supply some services to Enitel. During the second quarter, Telia divested its participations in the associated companies Any Media Solutions AB, which produces directories, and Egmont Online A/S, in Denmark.

Initial Public Offering

On June 13, 2000, Telia's shares were quoted on the A list of the OM Stockholm Exchange. At the same time, 150 million new shares were issued. Of the shares sold, 939,339 individuals in Sweden owned 23%, Swedish

institutions owned 49%, and non-Swedish investors 28% at June 30.

At July 7, the Swedish state retained a holding of 70.6% of Telia. The new share issue raised MSEK 12,241 in new capital for Telia after deducting costs.

Human Resources

The number of employees rose slightly during the first half, ending the period at 30,986 (30,589 at December 31, 1999). The increase occurred primarily in operations abroad.

Review of Business Areas

Mobile Business Area

- **Broader customer base, expanded market shares**
- **Sales growth for GSM in Sweden MSEK 779 (19%)**
- **Record low churn rate in Sweden**
- **Acquisition of NetCom ASA**

Substantially stronger sales of GSM subscriptions helped boost net sales 16%, to MSEK 5,939, for the first half of 2000 compared to the same period in 1999. This was achieved despite rate cuts of 13%. The business area's net gain in GSM customers in Sweden was 415,000, representing 61% of all growth in the Swedish GSM market. In Finland and Denmark, the net gains were 80,000 and 38,000 GSM customers, respectively. This resulted in the business area winning market shares in the Nordic markets, based on the number of customers.

For the six months, GSM in Sweden reported sales that were MSEK 779 higher than for the same period in 1999.

Healthy growth in the customer base greatly increased total costs for recruiting customers, which was the main reason that underlying EBITDA declined 11%. Towards the end of the period, Telia reduced its discounts on terminals sold with subscriptions.

In Sweden, 60% of the growth in the customer base occurred in the second quarter, so income did not reflect the full impact of traffic revenues. The international expansion started during the first six months also had a somewhat negative effect on income.

For the second quarter, net sales totaled MSEK 3,002, and the underlying EBITDA was MSEK 414.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Total			
Net sales	5,939	5,107	10,714
of which external	4,869	4,002	8,656
Underlying EBITDA	1,233	1,385	3,497
Operating income	714	903	2,454
Investments	12,747	697	1,325
Sweden			
Net sales	5,473	4,818	10,009
of which external	4,425	3,724	7,971
Underlying EBITDA	1,651	1,738	4,030

Responsibility for business activities in the associated companies in the Baltic region, specifically Eesti Mobiiltelefon, Latvijas Mobilais Telefons, Omnitel, North West GSM, and First National Holding, has been transferred with the retail outlet business in Finland to Mobile from the Enterprises business area.

Share of earnings in associated companies improved, from MSEK 52, to MSEK 65. This improvement resulted from robust growth in customer numbers and traffic for the associated companies.

The business area's operating income decreased, from MSEK 903, to MSEK 714, year on year.

Substantial synergy gains with NetCom ASA

By acquiring the Norwegian mobile operator NetCom ASA – the second largest in Norway, with 753,760 customers in the first quarter – Telia strengthens its position as the leading mobile operator in the Nordic region, in terms of the number of customers as well as sales. Telia is the only mobile operator with operations in all four Nordic countries.

This acquisition will yield substantial synergy gains for Telia and NetCom ASA, in the Swedish operations and in other Nordic markets.

During the first two years, the benefits are likely to appear as cost-savings in billing, production, and development of services. Revenues are also expected to rise gradually during that period owing to a sharper competitive edge and a more attractive portfolio of services. All in all, synergies are expected to have an impact of MSEK 350–400 on the Telia Group in the year 2002. The significant benefits of synergies expected in connection with the construction of UMTS will at that time have only begun to make an impact on the accounts.

Investments by the business area rose MSEK 12,050, to MSEK 12,747. MSEK 11,362 was for the acquisition of NetCom, MSEK 690 for associated companies in Russia.

Healthy growth in subscriber base

In the Swedish market, the number of GSM subscribers rose 415,000 during the period, to 2,763,000. The number of NMT subscribers continued to decline. At mid-year, the business area served a total of 2,987,000 mobile customers in Sweden.

The average monthly revenue per user (ARPU) decreased from the first quarter of 2000, from SEK 314 to SEK 308. Excluding prepaid cards, monthly revenues grew, from SEK 438 to SEK 458.

Use of SMS messages have reached such a volume that they are having a tangible, positive impact on net sales.

The churn rate, that is, the proportion of customers who change to a different operator or leave the market, declined again, from 9% to 6%.

A service-provider agreement with Radiolinja now enables the business area to offer nationwide coverage in Finland, which led to a sharp rise in the number of GSM customers, growing 79,900 in the first half, to 112,500.

In Denmark, the number of GSM customers rose 37,800, to 207,800.

The number of customers reported by associated companies rose an average of 20%, from 785,000 to 933,000. Tess, which is reported in the Enterprises business area, added 181,000 customers, to reach 526,000.

Taking into account the participations in associated companies and NetCom ASA, Telia had a total of about 4.3 million mobile customers at June 30.

Heavy investment in product development

The business area is investing heavily in product development to expand the bandwidth for existing services and technical platforms as well as to develop new types of mobile data services. The biggest initiative by far is mobile Internet development.

To make DOF services available to a larger group of customers, this subscription was divided into two types, and the enrollment and monthly charges were reduced.

DOF 1 includes basic and premium services, while DOF 2 contains only basic services with an option to add premium services.

The MyDOF portal, previously accessible only by customers with a DOF subscription, was made available to all customers in Mobile, including prepaid card customers. During the period, MyDOF was acclaimed Sweden's best WAP portal by the magazine *Mobil*.

A collaboration with Ericsson began aimed at developing geopositioning services based on GSM. Positioning is a vital part of mobile Internet services and can be used for rescue operations in emergencies.

During June, Telia and Ericsson launched the positioning service Gula Sidorna Nära Dig, the only one of its kind in the world. The service can be used by customers with DOF subscriptions.

New SMS services were launched, for example allowing users to send postcards or to download ringing signals or logotypes over the Internet to their own mobile phones.

The associated company WirelessCar Sweden AB, recently formed with Volvo and Ericsson to develop wireless applications for the automotive industry, attracted much attention in the market and started several development projects during the first half.

International expansion

During the second quarter, efforts commenced to establish the business area as a mobile Internet service provider (MISP) in the international market through the introduction of mobile portals that can be used by any mobile customer regardless of operator and can be accessed by WAP handsets or PDAs as well as PCs or SMS.

In August and September, the portal Speedy Tomato will undergo trials in local versions for Finland and Denmark, while a global version will be tested in Great Britain. Commercial launch is scheduled later this autumn. Telia intends to launch portals in several European markets.

Carrier & Networks Business Area

Reduced volumes of telephony sales to the Business Solutions and People Solutions business areas in Sweden reduced Carrier & Networks' net sales for the first half by 2% year on year, to MSEK 12,714, adjusted for the divestiture of operations in Norway.

Underlying EBITDA deteriorated 8%, to MSEK 3,996, as a result of current heavy investment to establish the international carrier business and the fact that a major deal for network capacity was closed in the first half of 1999.

Operating income was on a par with one year earlier. Income for 2000 included MSEK 294 from the sale of operations in Norway.

For the second quarter, net sales totaled MSEK 6,605, and the underlying EBITDA was MSEK 1,791.

Investments more than doubled, to MSEK 4,043. The majority were attributable to the international carrier business and construction of the Viking Network.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Total			
Net sales	12,714	13,178	25,927
of which external	2,690	2,067	4,328
Underlying EBITDA	3,996	4,318	7,925
Operating income	2,057	2,059	3,084
Investments	4,043	1,954	4,845
Sweden			
Net sales	12,530	12,439	23,982
of which external	1,979	1,711	3,303
Underlying EBITDA	4,042	4,238	7,613

During the first half, the contracting activities in network construction and services were transferred from Carrier & Networks to the Enterprises business area.

Nordic Network Wholesaling Business

- **Sizable rate cuts**
- **Lower net sales**
- **Robust sales to external operators**

Rate cuts averaging 10% combined with lower internal sales of telephony traffic to the Business Solutions and People Solutions business areas, which represent almost 90% of all sales, to reduce net sales for the Nordic network wholesaling business 3%, to MSEK 10,902. Sales to external operators and service providers jumped 50%, to MSEK 1,454.

Demand for broadband is strong. Subcontractors had difficulty supplying ADSL equipment, so the business area has been able to install only 24,000 broadband connections to date. The problems have been solved now, and Carrier & Networks is expanding supply capacity and anticipates that the pace of installation from the fourth quarter will be able to satisfy demand.

International Carrier

- **Continued expansion of the international fiber-optic network**
- **Substantial sales growth**
- **Additional infrastructure swaps**

The international carrier business has entered an intensive phase of development with the establishment of an international fiber-optic network, the Viking Network. During the first half, a total of MSEK 3,839, was invested, MSEK 3,022 of which was to expand infrastructure, that is, install fiber-optic cable and ducts.

During the second quarter, two more swaps were completed. Agreement was reached with Global Crossing that gives Telia access to fiber-optic ducts in western Germany and the Netherlands and fiber-optic capacity between London and Amsterdam. A similar swap agreement with Colt gives the business area access to 3,000 kilometers of fiber-optic duct in Germany.

In Europe, the network was extended, from 4,070 to 6,815 kilometers of fiber-optic cable, while duct capacity grew from 1,900 to 2,750 kilometers. The network in North America, which International Carrier gained access to through swap agreements in the first quarter with 360networks and Williams Communications, comprised 18,000 kilometers of fiber at June 30. In early August, the agreement with 360networks was expanded.

The number of locations where the business area has resources to connect customers ("points of presence") increased, from 27 to 39.

To boost capacity, parts of the network will be equipped for wavelength division multiplex. In the second quarter, a contract for the delivery of dense wavelength division multiplexing (DWDM) equipment was signed with Lucent Technologies of the United States.

Expansion of the international fiber-optic network is progressing as planned, and customers are being connected as the network is being completed. To finance some of the construction, the business area is selling infrastructure to operators and other owners of networks. During the six months, a contract was signed for the sale of infrastructure with an aggregate value of MSEK 3,900.

Net sales by the international carrier business rose 7.5%, chiefly because of significantly higher sales of telephony. Telephony transport increased 20%, from 1,463 million traffic minutes, to 1,734 million.

Sales of IP traffic also advanced strongly, although from a relatively low level. At June 30, IP traffic corresponding to 1,783 Mbps was being carried. Broader availability of Internet access and the growing supply of Internet-based services are expected to lead within three years to massive demand for the transport of IP traffic, which by that time is likely to have become the dominant type of traffic.

Telia's current initiatives in carrier operations are aimed at creating a cost-effective production platform and at building a customer base that will derive the most benefit from the expected boom in IP traffic.

In April, Telia acquired the operations of the U.S. ISP AGIS. The acquisition entitles Telia to "free peering," that is, Telia no longer needs to pay for traffic that terminates at any leading ISP in the United States.

Business Solutions Business Area

- **Lower net sales**
- **Reduced tariffs**
- **Strong position in the Internet market**

Net sales by the business area totaled MSEK 6,953, down 10% taking into account the divestiture of the Norwegian operations in early 2000. The primary reasons were lower revenues in the fixed telephony business in Sweden, where traffic revenues declined because of heavy price cuts and smaller market shares in the segments for small and medium-sized businesses.

The business area reduced its price level 6% during the first six months. In fixed telephony in Sweden, which represents 54% of the business area's net sales, rates were cut 9%.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Total			
Net sales	6,953	7,868	15,351
of which external	5,705	6,196	12,199
Underlying EBITDA	262	531	866
Operating income	1,171	288	1,985
Investments	757	758	2,920
Sweden			
Net sales	6,494	7,122	14,039
of which external	5,270	5,477	10,818
Underlying EBITDA	458	694	1,267

Underlying EBITDA dropped, from MSEK 531 to MSEK 262. The telephony business in Sweden pulled down earnings, while earnings in Denmark and Finland improved somewhat during the period.

For the second quarter, net sales totaled MSEK 3,460, and the underlying EBITDA was MSEK 61.

During the half, associated companies in the fixed network operations in Poland, Ireland, Estonia, Latvia, and Lithuania were transferred to Business Solutions from the Enterprises business area. The associated company Infonet Services Corporation and the subsidiaries Telia UK, Infonet Svenska AB, and Telia Iberia (Spain) were also transferred.

The share of earnings in associated companies improved, from MSEK 58, to MSEK 361. Income included capital gains in Unisource (MSEK +1,033), restructuring costs for Eircom (MSEK –485), and costs incurred by Netia for expansion as well as foreign exchange effects (MSEK –167).

Fixed network companies in the Baltic states continued to develop favorably in terms of revenues and income, and more emphasis is being made on the development of data communication services and the Internet.

In Poland, Netia was awarded a license for Warsaw in the second quarter. The company's licenses now cover about 40% of the country's 39 million inhabitants. During the period, Netia was listed on the Warsaw stock exchange. The company had listed its shares on Nasdaq first. The number of customers at June 30 totaled 280,000, 60,000 of whom are business customers.

Operating income surged, from MSEK 288, to MSEK 1,171. Income included a total of MSEK 643 in capital gains on the sale of operations in Norway.

Investments were MSEK 757. The majority of that (MSEK 502) was used to boost Telia's stake in Netia. In July, the holding was increased further and now equals 48.2%. That investment cost MSEK 1,519.

Fortified position in the Internet market

In the Swedish market, demand for Internet access grew apace, and the business area estimates that it fortified its market shares during the period.

Overall demand for data communications and network capacity ended just short of the level in the first half of 1999 as a result of business customers having invested heavily in IT and telecom systems prior to the turn of millennium.

Sales of premium services for fixed telephony, Centrex, Telemöte teleconferencing, and virtual call centers grew 50% compared to the same period in 1999. During the first half, development commenced on a new communication platform for Centrex adapted to IP and mobile communications.

Application service provider

During the first half, work began carving out a role for the business area as an application service provider (ASP), by which the area leases applications and software over the Internet. During the second quarter, the subsidiary Telia Iberia in Spain offered business customers applications for business planning to rent over the company's nationwide IP network. The application was developed with partners such as Andersen Consulting and Sun Microsystems. In the first quarter, a group of Swedish companies received an offer to lease Microsoft Office Online, accessed via the Internet.

Several major contracts were signed with customers, including the City of Stockholm, Riksbyggen, the county administrative board of western Götaland, the National Tax Board, and the grocery chain ICA.

People Solutions Business Area

- **Reduced tariffs**
- **Lower net sales**
- **Strong growth in Denmark**
- **Strong demand for broadband**

Weaker net sales in fixed telephony in Sweden were caused by heavy price cuts and the carrier preselect reform carried out in the autumn of 1999, so the business area's net sales, adjusted for divested operations in Norway, were almost 6% lower in the first half of 2000 than in the first half of 1999.

In fixed telephony in Sweden, which represents more than 80% of the business area's total net sales, rates were cut more than 7%.

The carrier preselect reform, the full brunt of which was felt during the period, pulled traffic volumes in Sweden down 12%.

In Denmark, net sales climbed 30% thanks to an expanded customer base. In Finland, net sales decreased as a result of deep price cuts.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Total			
Net sales	9,072	9,670	19,150
of which external	8,432	9,080	17,931
Underlying EBITDA	437	823	1,636
Operating income	1,032	661	1,168
Investments	159	69	251
Sweden			
Net sales	8,735	9,342	18,439
of which external	8,114	8,770	17,246
Underlying EBITDA	667	1,018	1,997

Underlying EBITDA dropped, from MSEK 823 to MSEK 437, owing to declining revenues for the Swedish telephony operations and massive investment in the development of broadband services for households and small businesses. The Danish and Finnish operations reported somewhat higher earnings for the period.

For the second quarter, net sales totaled MSEK 4,498, and the underlying EBITDA was MSEK 247.

During the first six months, responsibility for the international cable-TV operations and for the portal activities in SOL and Chili A/S were transferred from the Enterprises business area to People Solutions. People Solutions also assumed responsibility for system terminals and telephone cards.

The share of earnings in associated companies improved, from MSEK –1 to MSEK 143, as a result of the sale of part of Telia's stake in SOL.

Operating income jumped, from MSEK 661, to MSEK 1,032. Income included MSEK 510 in capital gains on the sale of operations in Norway.

SOL, one of the biggest Nordic networks of portals, in terms of unique visitors as well as revenues, was floated during the second quarter, and in early July Telia upped its holding from 20% to 22%.

Upswing for international cable-TV business

The cable-TV company Telia Stofa in Denmark entered a phase of intense growth with the expansion and digitalization of its network and the development of interactive services. At June 30, 171,648 customers were connected directly to the company's services and 340,000 via other distributors. In July 2000, Telia acquired Jydsk Central Antenne A/S for MSEK 62, adding 110,000 indirect customers.

In the second quarter, Telia and a local partner in St. Petersburg formed the company Teliks to develop cable-TV and broadband services in northwestern Russia. Telia owns 65% of the company.

Cable-TV operations in the Baltic states also reported favorable progress. In Estonia, Starman Kaabeltelevisiooni added 4,400 customers to its rolls, for

a total of 53,300, while Telia MultiCom in Latvia expanded its customer base by 21,000, to 52,000.

The business area increased investment, from MSEK 69 to MSEK 159, mainly to acquire shares in SOL (MSEK 153).

Robust demand for Internet access

Demand for Internet access remained strong in the Swedish market. Net sales rose 17% despite rate cuts of 5%. The number of ISP customers rose, from 550,000 to 607,000. The number of ISDN channels increased, from 148,000 to 261,000, while conventional subscriptions decreased by 72,000 lines.

Gradual introduction of broadband services

In the fourth quarter of 2000, Telia will start to roll out its broadband portal that is now under development. In conjunction with this, several broadband services will be launched, such as streaming video (that is, real-time animated images over the Internet), games on demand, and entertainment programs for the PC platform.

In the second quarter, the business area began collaborating with the Swedish company Vision Park to develop games on demand and other services delivered over the Internet. A similar agreement was previously signed with Microsoft.

To put more power behind the broadband initiative, People Solutions has assembled in a single business unit all resources for broadband, the Internet, and content services linked to portals.

Broadband capacity is being expanded in 37 locations around Sweden. In addition to the 25 biggest cities, expansion is under way in many smaller communities that have shown strong demand for broadband, such as Jokkmokk, Malmberget, Mora, and Stenungssund.

Enterprises Business Area

Enterprises combines three kinds of business: businesses that will be evaluated and then transferred to another business area, businesses that support more than one business area, and businesses that will be divested, wholly or in part.

The business area's net sales increased 5% year on year, to MSEK 12,319 for the first six months. The increase was mainly attributable to increased sales in the directory operations within Infomedia.

The deterioration of underlying EBITDA was mainly attributable to major development efforts now being carried out in the Swedish cable-TV operations.

For the second quarter, net sales totaled MSEK 6,902, and the underlying EBITDA was MSEK 774.

Share of earnings in associated companies further weakened during the first six months, from MSEK –446 to MSEK –625. Operating income dropped, from MSEK 161, to MSEK –11.

Investments for the period totaled MSEK 3,060, of which MSEK 1,591 was investment in Tess prior to its payments for licenses.

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
Total			
Net sales	12,319	11,694	24,186
of which external	4,273	4,088	8,982
Underlying EBITDA	983	1,316	2,947
Operating income	-11	161	579
Investments	3,018	1,550	2,668
By business activity			
Infomedia			
Net sales	2,131	1,967	4,472
Operating income	120	290	907
Investments	224	79	197
Financial Services			
Net sales	587	517	1,042
Operating income	6	26	-25
Investments	275	321	558
Systems & Support			
Net sales	4,946	5,049	10,191
Operating income	140	81	306
Investments	28	12	41
International			
Net sales	358	335	652
Operating income	-590	-800	-1,393
Investments	1,742	1,006	1,536
Other business			
Net sales	4,297	3,826	7,829
Operating income	313	564	784
Investments	749	132	336

Stronger demand for cable-TV and directory services

Infomedia boosted net sales 8% during the first half owing to higher sales of directory, cable-TV, and call-center services.

Operating income declined as a result of major investments in the Swedish cable-TV operation com hem, in infrastructure, branding, and services. com hem, with 1.35 million customers and a market share of more than 60% the leading cable-TV operator in Sweden, is revamping its profile from that of a traditional cable company to that of a broadband service provider. Demand for interactive broadband services increased during the period. At June 30, contracts had been signed with property owners to upgrade cable-TV networks to high-speed Internet access for a total of 216,310 households.

Total orders received for customer financing were 23% lower than in the corresponding period the preceding year partly because a large order for home PCs had been received in 1999.

For Systems & Support, net sales declined 2%. Revenues on service increased, while revenues on systems decreased slightly. Operating income rose thanks to MSEK 93 in capital gains.

International, that is, Telia Overseas, Tess, and Telia Swedtel, reduced its overall loss, from MSEK –800 to MSEK –590. The improvement was primarily attributable to Tess, which enjoyed excellent performance in the first six months, boosting the number of customers by 181,000, to 526,000.

Other business includes the retail business Telia Handel, the venture capital firm Telia Business Innovation, the R&D company Telia Research, Telia IT-Service, and several internal support functions.

In May, Telia sold its holding in the laser technology company Altitun to the U.S. company ADC Telecommunications, realizing a capital gain of MSEK 174. During the second quarter, Telia divested its participations in the associated companies Any Media Solutions AB, which produces directories, and Egmont Online A/S, with a negligible impact on earnings.

During the first half, some parts of operations in the business area were moved to other business areas. The contracting activities for network construction and services were transferred to Enterprises from Carrier & Networks.

Parent Company

The parent company Telia AB, whose Board of Directors is registered in Stockholm, contains the Group's Swedish operations for fixed network development, construction, and operation and provides basic production of network services. At January 1, 2000, all employees in service, support, and construction as well as the international carrier business were transferred to subsidiaries. The parent company also comprises Group executive management functions, several support units, and the Group's internal banking operations.

Net sales were MSEK 11,547 (13,242), of which MSEK 10,116 (11,466) was invoiced to subsidiaries. Earnings before appropriations and taxes ended higher, at MSEK 3,468 (3,289).

Net income after appropriations and tax was MSEK 2,663 (1,887). Equity was MSEK 33,476 (19,739 at December 31, 1999), and retained earnings MSEK 9,953 (9,084).

The parent company's financial position at June 30 was affected by the new share issue conducted in conjunction with the stock exchange listing in mid-June. The balance sheet total decreased, to MSEK 69,797 (73,791 at December 31, 1999). Cash flow from operating activities was MSEK –235 (130), while operating cash flow was MSEK 934 (2,198). Net borrowings decreased, to MSEK 1,363 (13,828 at year-end). Liquid funds equaled MSEK 4,459 (1,368).

The current ratio was 2.73 (1.08 at year-end). The equity/assets ratio (including the equity component of untaxed reserves) improved to 65.9% (43.8%).

The parent company invested MSEK 6,516 (3,557) in fixed assets, including MSEK 1,421 (1,719) in machinery and equipment, mainly telecom installations. Other investments totaling MSEK 5,095 (1,838) were primarily attributable to capital infusions in subsidiaries and associated companies.

The number of employees at June 30 was 3,878 (6,514 at year-end). The decrease resulted mainly from the transfer of the network service operations to a subsidiary.

Stockholm, August 16, 2000

Jan-Åke Kark
President and CEO

Auditors' Review Report

We have made a review of this semiannual report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in comparison to an audit. Nothing has come to our attention that indicates that this semiannual report fails to comply with the requirements of the Swedish Securities Exchange Act or the Swedish Annual Accounts Act.

Stockholm, August 16, 2000

Ernst & Young AB

Gunnar Widhagen
Certified Public Accountant

Filip Cassel
Certified Public Accountant

Peter Norberg
Certified Public Accountant

Group Income Statements

MSEK	Apr–Jun 2000	Jan–Jun 2000	Apr–Jun 1999	Jan–Jun 1999	Jul 1999–Jun 2000	Full Year 1999	Full Year 1998
Net sales	13,180	26,037	13,066	25,463	52,695	52,121	49,569
Costs of production	-8,321	-16,072	-7,877	-15,173	-32,105	-31,206	-30,988
Gross income	***4,859***	***9,965***	***5,189***	***10,290***	***20,590***	***20,915***	***18,581***
Selling, administrative, and R&D expenses	-4,337	-8,213	-3,943	-7,804	-15,296	-14,887	-15,045
Other operating revenues and expenses, net	676	2,186	136	142	1,239	-805	4,388
Share of earnings in associated companies	-710	-68	227	-337	992	723	-704
Operating income	***488***	***3,870***	***1,609***	***2,291***	***7,525***	***5,946***	***7,220***
Financial net	-132	-78	0	0	-44	34	-77
Income after financial net	***356***	***3,792***	***1,609***	***2,291***	***7,481***	***5,980***	***7,143***
Taxes	-74	-1,123	-494	-700	-2,177	-1,754	-2,092
Minority shares	26	29	3	7	18	-4	-40
Net income	***308***	***2,698***	***1,118***	***1,598***	***5,322***	***4,222***	***5,011***
Earnings per share	0.10	0.94	0.39	0.56	1.86	1.48	1.76

Quarterly Data

	1998			1999				2000	
MSEK	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	12,496	11,871	13,864	12,397	13,066	11,771	14,887	12,857	13,180
EBITDA	5,273	3,701	2,838	2,528	3,481	3,040	4,549	5,218	2,348
One-off charges and pensions	-1,961	-703	485	542	362	273	7	-1,316	-201
Share of earnings in associates	84	395	4	564	-227	153	-1,213	-642	710
Underlying EBITDA	3,396	3,393	3,327	3,634	3,616	3,466	3,343	3,260	2,857
Operating income	3,466	1,897	1,115	682	1,609	1,150	2,505	3,382	488
Income after financial net	3,469	1,892	1,094	682	1,609	1,244	2,445	3,436	356
Net income	2,415	1,299	810	480	1,118	869	1,755	2,390	308

Group Balance Sheets

MSEK	30 Jun 2000	30 Jun 1999	31 Dec 1999	31 Dec 1998
Intangible fixed assets	13,878	1,653	2,146	1,844
Tangible fixed assets	37,270	35,304	33,318	34,801
Financial fixed assets	22,407	12,679	18,023	12,553
Inventories etc.	1,172	914	971	946
Current receivables	26,520	17,665	20,369	16,451
Short-term investments	3,937	546	1,264	202
Cash and bank deposits	1,698	627	513	481
Total assets	***106,882***	***69,388***	***76,604***	***67,278***
Equity	46,860	29,489	32,893	29,344
Minority shares	468	151	210	210
Provisions for pensions	3,185	2,304	3,246	1,733
Other provisions	6,430	6,020	6,629	6,002
Long-term loans	11,808	8,519	9,123	6,491
Current loans	6,675	8,262	6,934	7,062
Non-interest-bearing liabilities	31,456	14,643	17,569	16,436
Total equity and liabilities	***106,882***	***69,388***	***76,604***	***67,278***

Group Cash Flow Statements

MSEK	Jan–Jun 2000	Jan–Jun 1999	Jul 1999–Jun 2000	Full Year 1999	Full Year 1998
Cash flow from operating activities	***4,823***	***4,521***	***10,700***	***10,398***	***10,397***
Cash flow from investing activities	-9,355	-5,860	-14,425	-10,930	-8,925
Operating cash flow	***-4,532***	***-1,339***	***-3,725***	***-532***	***1,472***
Cash flow from financing activities	8,382	1,899	8,034	1,551	-2,439
Cash flow for the period	***3,850***	***560***	***4,309***	***1,019***	***-967***
Net interest-bearing liability, opening balance	***7,527***	***6,767***	***9,827***	***6,767***	***14,609***
Change in net borrowings	-7,785	2,489	-9,265	-753	-2,642
Change in pension liability	-61	571	-881	1,513	-5,200
Net interest-bearing claim/liability, closing balance	***-319***	***9,827***	***-319***	***7,527***	***6,767***

Statements of Changes in Equity

MSEK	30 Jun 2000	30 Jun 1999	31 Dec 1999	31 Dec 1998
Equity, opening balance	***32,893***	***29,344***	***29,344***	***25,487***
Dividend	-1,470	-1,400	-1,400	-1,210
New share issue	12,750	–	–	–
Underwriting expenses after tax, booked directly to equity	-206	–	–	–
Capital infusion from outside investors	–	–	613	–
Share of earnings in companies previously outside the Group	29	–	–	–
Differences arising from the translation of foreign operations	94	-129	19	105
Translation differences after tax on forward contracts used as equity hedge	72	76	95	-49
Net income for the period	2,698	1,598	4,222	5,011
Equity, closing balance	***46,860***	***29,489***	***32,893***	***29,344***

Collateral pledged, contingent liabilities and assets

MSEK	Jun 30 2000	Dec 31 1999
Collateral pledged		
Blocked funds in bank accounts	41	41
Real estate mortgages	2	2
Chattel mortgages	7	7
Shares in associated companies	26	26
Total	***76***	***76***
Contingent liabilities		
Credit guarantees, completion bonds, guarantees etc.	1,018	1,182
FPG/PRI	161	161
Other contingent liabilities	275	273
Total	***1,454***	***1,616***
Contingent assets		
Client company funds at SPP	–	541
Total	–	***541***

Financial debt instruments

	Book value		Market value	
MSEK	Jun 30 2000	Dec 31 1999	Jun 30 2000	Dec 31 1999
In the balance sheet				
Long-term loans (excl. derivatives)	11,927	9,134	11,312	9,419
Short-term loans (excl. derivatives)	6,650	6,953	6,752	7,084
Interest swaps, interest received	-500	-843	-27	-44
Interest swaps, interest paid	943	1,043	74	66
Currency swaps, received	-5,725	-5,572	-409	-346
Currency swaps, paid	5,188	5,188	409	346
Total	***18,483***	***15,903***	***18,111***	***16,525***
Off-balance sheet				
Currency derivatives purchased	6,314	3,382	6,419	3,422
Currency derivatives sold	19,513	8,837	19,929	8,874

Group Business Segments, April–June 2000

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Mobile	3,002	2,469	311	17	48	414	168	12,394	7,550	2,392
Carrier & Networks	6,605	1,380	1,109	-27	-13	1,791	642	2,316	24,124	3,203
Business Solutions	3,460	2,826	69	-23	-508	61	-539	603	14,845	3,577
People Solutions	4,498	4,148	35	-38	154	247	328	138	970	4,401
Enterprises	6,902	2,322	330	123	-391	774	176	980	3,908	16,865
Group-wide	-11,287	35	6	149	–	-430	-287	-389	-5,138	548
Total		***13,180***	***1,860***	***201***	***-710***	***2,857***	***488***	***16,042***	***46,259***	***30,986***

Group Business Segments, January–March 2000 (pro forma)

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Mobile	2,937	2,400	301	11	17	819	546	353	5,880	2,254
Carrier & Networks	6,109	1,310	1,114	323	1	2,205	1,415	1,727	23,895	3,109
Business Solutions	3,493	2,879	75	715	869	201	1,710	154	10,886	3,577
People Solutions	4,574	4,284	36	561	-11	190	704	21	1,337	4,026
Enterprises	5,417	1,951	271	109	-234	209	-187	2,038	4,715	17,070
Group-wide	-9,673	33	39	-403	–	-364	-806	351	-5,264	553
Total		***12,857***	***1,836***	***1,316***	***642***	***3,260***	***3,382***	***4,644***	***41,449***	***30,589***

Group Business Segments, January–June 2000

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Mobile	5,939	4,869	612	28	65	1,233	714	12,747	7,550	2,392
Carrier & Networks	12,714	2,690	2,223	296	-12	3,996	2,057	4,043	24,124	3,203
Business Solutions	6,953	5,705	144	692	361	262	1,171	757	14,845	3,577
People Solutions	9,072	8,432	71	523	143	437	1,032	159	970	4,401
Enterprises	12,319	4,273	601	232	-625	983	-11	3,018	3,908	16,865
Group-wide	-20,960	68	45	-254	–	-794	-1,093	-38	-5,138	548
Total		***26,037***	***3,696***	***1,517***	***-68***	***6,117***	***3,870***	***20,686***	***46,259***	***30,986***

Group Business Segments, January–June 1999 (pro forma)

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Mobile	5,107	4,002	553	19	52	1,385	903	697	3,562	2,180
Carrier & Networks	13,178	2,067	2,226	-33	–	4,318	2,059	1,954	24,370	3,297
Business Solutions	7,868	6,196	151	-150	58	531	288	758	6,846	3,667
People Solutions	9,670	9,080	68	-93	-1	823	661	69	1,421	4,120
Enterprises	11,694	4,088	671	-38	-446	1,316	161	1,550	5,532	17,240
Group-wide	-22,054	30	49	-609	–	-1,123	-1,781	84	-2,999	696
Total		***25,463***	***3,718***	***-904***	***-337***	***7,250***	***2,291***	***5,112***	***38,732***	***31,200***

Enterprises Business Area, April–June 2000

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Infomedia	1,320	1,194	40	34	-1	216	209	37	-431	4,257
Financial Services	328	157	126	-5	–	122	-9	176	529	432
Systems & Support	2,547	691	21	-16	–	73	36	39	1,061	6,947
International	196	172	28	23	-387	76	-316	133	1,944	615
IT & Innovation	1,365	47	46	69	-4	228	247	271	521	3,080
Support Services & Retail	1,146	61	69	18	1	59	9	324	284	1,534
Total	***6,902***	***2,322***	***330***	***123***	***-391***	***774***	***176***	***980***	***3,908***	***16,865***

Enterprises Business Area, January–March 2000 (pro forma)

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Infomedia	811	749	43	–	-9	-37	-89	187	272	4,521
Financial Services	259	135	119	–	–	134	15	99	523	481
Systems & Support	2,399	756	35	109	–	30	104	-11	828	6,920
International	162	141	26	–	-257	9	-274	1,609	1,963	667
IT & Innovation	1,129	99	34	–	33	67	66	130	346	3,094
Support Services & Retail	657	71	14	–	-1	6	-9	24	783	1,387
Total	***5,417***	***1,951***	***271***	***109***	***-234***	***209***	***-187***	***2,038***	***4,715***	***17,070***

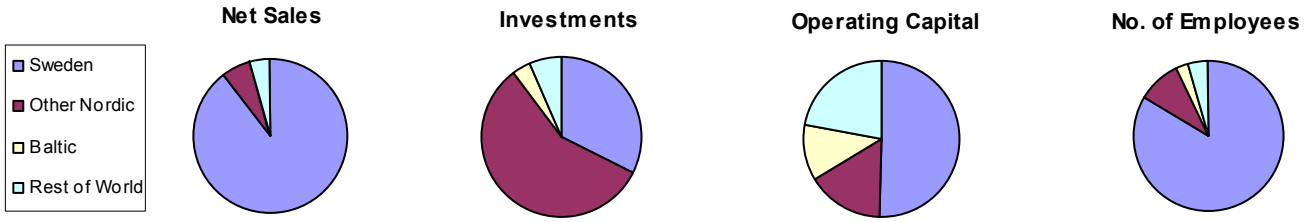
Enterprises Business Area, January–June 2000

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Infomedia	2,131	1,943	83	34	-10	179	120	224	-431	4,257
Financial Services	587	292	245	-5	–	256	6	275	529	432
Systems & Support	4,946	1,447	56	93	–	103	140	28	1,061	6,947
International	358	313	54	23	-644	85	-590	1,742	1,944	615
IT & Innovation	2,494	146	80	69	29	295	313	401	521	3,080
Support Services & Retail	1,803	132	83	18	–	65	0	348	284	1,534
Total	***12,319***	***4,273***	***601***	***232***	***-625***	***983***	***-11***	***3,018***	***3,908***	***16,865***

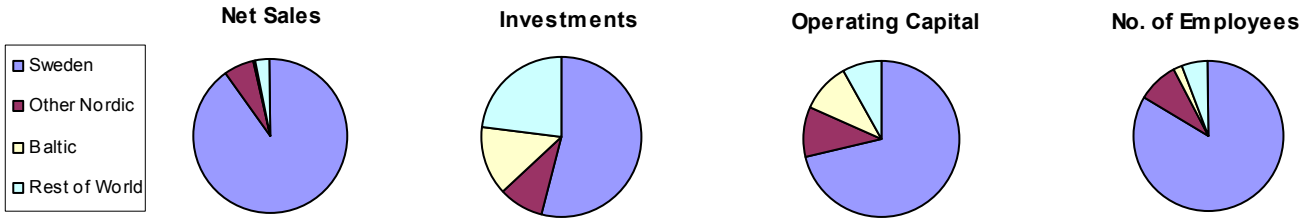
Enterprises Business Area, January–June 1999 (pro forma)

MSEK	Net sales	External net sales	Depreciation and amortization	One-off charges and pensions	Share of earnings in associated companies	Underlying EBITDA	Operating income	Investments	Operating capital	No. of employees
Infomedia	1,967	1,640	148	2	-45	481	290	79	533	4,742
Financial Services	517	172	261	–	–	287	26	321	756	400
Systems & Support	5,049	1,680	39	-28	–	148	81	12	1,158	6,396
International	335	265	48	–	-811	59	-800	1,006	686	735
IT & Innovation	2,053	157	56	3	–	174	121	31	368	3,300
Support Services & Retail	1,773	174	119	-15	410	167	443	101	2,031	1,667
Total	***11,694***	***4,088***	***671***	***-38***	***-446***	***1,316***	***161***	***1,550***	***5,532***	***17,240***

Geographic Segment Breakdown, January–June 2000



Geographic Segment Breakdown, January–June 1999



Sales by Business Area and Product Segment

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
		Net sales			External net sales	
Mobile	**5,939**	**5,107**	**10,714**	**4,869**	**4,002**	**8,656**
Sweden	*5,473*	*4,818*	*10,009*	*4,425*	*3,724*	*7,971*
Mobile telephony	5,200	4,651	9,645	4,211	3,531	7,556
Fixed charges	678	612	1,237	666	595	1,206
Traffic charges	2,986	2,616	5,578	2,924	2,549	5,445
Interconnect and roaming charges	1,491	1,388	2,765	614	372	882
Other	45	35	65	7	15	23
Paging, contracting, etc.	273	167	364	214	193	415
Other Nordic countries	*466*	*289*	*705*	*444*	*278*	*685*
Denmark	187	139	357	166	128	345
Finland	279	150	348	278	150	340
Carrier & Networks	**12,714**	**13,178**	**25,927**	**2,690**	**2,067**	**4,328**
Network wholesaling, Sweden	*10,364*	*10,791*	*20,871*	*1,357*	*843*	*1,775*
Fixed telephony	8,177	8,391	16,580	785	374	795
Network capacity	1,293	1,611	3,278	460	395	740
Data communications	384	406	788	1	26	70
Internet	296	278	576	7	0	0
Other	214	105	-351	104	48	170
Network wholesaling, other Nordic markets	*538*	*701*	*1,589*	*97*	*122*	*416*
International Carrier	*1,812*	*1,686*	*3,467*	*1,236*	*1,102*	*2,137*
Fixed telephony	1,488	1,097	2,352	1,054	729	1,486
Network capacity	300	456	1,006	114	356	609
Infrastructure	8	–	–	6	–	–
IP traffic	97	131	96	62	17	42
Other	-81	2	13	–	–	–

Sales by Business Area and Product Segment (cont'd.)

MSEK	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999	Jan–Jun 2000	Jan–Jun 1999	Full Year 1999
		Net sales			External net sales	
Business Solutions	**6,953**	**7,868**	**15,351**	**5,705**	**6,196**	**12,199**
Sweden	*6,494*	*7,122*	*14,039*	*5,270*	*5,477*	*10,818*
Fixed telephony	3,567	4,004	7,742	3,079	3,442	6,609
Network capacity	832	899	1,846	770	727	1,514
Data communications	922	993	1,863	876	927	1,759
Internet	275	305	569	220	169	353
Consulting	298	262	585	167	126	328
Contracting, other	600	659	1 434	158	86	255
Other Nordic countries	*329*	*574*	*986*	*308*	*548*	*1,060*
Baltic region	*21*	*24*	*45*	*18*	*24*	*42*
Rest of Europe	*109*	*148*	*281*	*109*	*147*	*279*
People Solutions	**9,072**	**9,670**	**19,150**	**8,432**	**9,080**	**17,931**
Sweden	*8,735*	*9,342*	*18,439*	*8,114*	*8,770*	*17,246*
Fixed telephony	7,287	8,022	15,751	7,264	7,981	15,670
Internet	466	398	755	464	386	741
Customer premises equipment	536	482	1,021	360	385	812
Contracting, other	446	440	912	26	18	23
Other Nordic countries	*324*	*318*	*692*	*305*	*300*	*666*
Baltic region	*13*	*10*	*19*	*13*	*10*	*19*
Enterprises	**12,319**	**11,694**	**24,186**	**4,273**	**4,088**	**8,982**
Infomedia	***2,131***	***1,967***	***4,472***	***1,943***	***1,640***	***4,057***
Sweden	*1,742*	*1,524*	*3,614*	*1,600*	*1,265*	*3,239*
Directory services	1,070	917	2,377	1,026	799	2,132
Inquiry services	330	330	680	210	162	490
Call center services	52	31	79	20	20	43
Cable TV	316	285	581	314	281	571
Other	-26	-39	-103	30	3	3
Other Nordic countries	*292*	*266*	*623*	*246*	*198*	*583*
Baltic region	*44*	*48*	*141*	*44*	*48*	*141*
Rest of Europe	*53*	*129*	*94*	*53*	*129*	*94*
Financial Services	***587***	***517***	***1 042***	***292***	***172***	***361***
Sweden	*484*	*467*	*926*	*258*	*171*	*357*
Other Nordic countries	*96*	*45*	*104*	*33*	*1*	*4*
Rest of Europe	*7*	*5*	*12*	*1*	0	*0*
Systems & Support	***4,946***	***5,049***	***10,191***	***1,447***	***1,680***	***3,375***
Sweden	*4,758*	*4,905*	*9,898*	*1,401*	*1,545*	*3,116*
Systems	681	1,026	1,934	504	697	1,367
Installation	375	366	773	266	254	528
Service on Audio/CTI	667	520	1,125	497	455	956
Network contracting	3,007	3,055	6,243	123	139	264
Other	28	-62	-177	11	0	1
Other Nordic countries	*178*	*138*	*281*	*44*	*133*	*255*
Rest of Europe	*5*	*–*	*–*	*–*	*–*	*–*
Rest of world	*5*	*6*	*12*	*2*	*2*	*4*
International	***358***	***335***	***652***	***313***	***265***	***541***
IT & Innovation	***2,494***	***2,053***	***4,329***	***146***	***157***	***271***
Support Services & Retail	***1,803***	***1,773***	***3,500***	***132***	***174***	***377***
Group-wide	**99**	**-41**	**-20**	**68**	**30**	**25**

Operational Data

	Jun 30 2000	Mar 31 2000	Full Year 1999	Full Year 1998	Full Year 1997	Full Year 1996
Group						
Fixed telephony, PSTN subscriptions, Sweden (‘000)	5,816	5,861	5,889	5,965	6,010	6,032
Fixed telephony, ISDN channels, Sweden (‘000)	757	687	630	424	244	129
Fixed telephony, calls in Sweden (millions of minutes)						
Domestic calls	16,460	8,600	35,200	35,620	31,720	30,500
International calls	260	130	560	600	660	670
Calls to mobile telephones	760	360	1,490	1,270	1,110	890
Internet subscriptions, Sweden (‘000)	693	659	613	457	230	105
Internet access in Sweden (millions of minutes)	3,546	1,852	5,330	2,938	1,147	128
Mobile						
Subscriptions in Sweden (‘000)	2,987	2,778	2,638	2,206	1,935	1,745
of which, household customers	1,838	1,674	1,557	1,203	985	927
of which, business customers	1,149	1,104	1,081	1,003	950	818
GSM in Sweden (‘000)	2,763	2,517	2,348	1,703	1,180	824
of which, subscriptions	1,620	1,478	1,425	1,390	1,180	824
of which, DOF	38	33	23	9	–	–
of which, prepaid cards	1,143	1,039	923	313	–	–
NMT 900 subscriptions, Sweden (‘000)	69	105	130	316	542	686
NMT 450 subscriptions, Sweden (‘000)	155	156	160	187	213	235
Outbound traffic, Sweden (millions of minutes)	1,211	587	2,187	1,745	1,554	1,221
Incoming traffic, Sweden (millions of minutes)	844	377	1,416	1,091	885	677
SMS messages, Sweden (millions)	58	25	46	13	4	–
Churn, Sweden (%)	6	9	9	14	12	n/a
ARPU, Sweden (SEK)	308	314	332	362	345	367
excluding prepaid cards	458	438	407	381	345	367
Subscriptions in Denmark (‘000)	208	179	170	112	–	–
Subscriptions in Finland (‘000)	113	78	33	8	–	–
Business Solutions						
Fixed telephony, PSTN subscriptions, Sweden (‘000)	1,017	1,020	1,001	1,110	1,142	1,137
Fixed telephony, ISDN channels, Sweden (‘000)	496	446	435	297	199	119
Fixed telephony, calls in Sweden (millions of minutes)						
Domestic calls	3,700	1,910	7,490	7,660	6,990	6,720
International calls	100	50	210	220	210	200
Calls to mobile telephones	310	150	560	480	400	310
People Solutions						
Fixed telephony, PSTN subscriptions, Sweden (‘000)	4,799	4,841	4,888	4,865	4,868	4,895
Fixed telephony, ISDN channels, Sweden (‘000)	261	241	195	127	45	10
Fixed telephony, calls in Sweden (millions of minutes)						
Domestic calls	12,760	6,690	27,710	27,960	24,730	23,780
International calls	160	80	350	380	450	470
Calls to mobile telephones	450	210	930	790	710	580
Cable-TV subscriptions, Denmark (‘000)	171	171	170	164	145	137
Cable-TV subscriptions, Estonia (‘000)	53	51	49	35	28	28
Cable-TV subscriptions, Latvia (‘000)	52	38	31	19	7	–
Enterprises						
Cable-TV subscriptions, Sweden (‘000)	1,356	1,350	1,348	1,330	1,308	1,291
Human Resources						
Number of employees	30,986	30,589	30,643	30,593	32,549	34,192
Average number of full-time employees	29,923	29,701	29,546	31,320	33,930	34,031
of which, in Sweden	25,306	25,281	25,414	27,540	30,474	31,290
of which, outside Sweden	4,617	4,420	4,132	3,780	3,456	2,741

Telia's Shares

Telia's shares have been quoted on the A list of the OM Stockholm Exchange since June 13, 2000. Each share entitles the owner to one vote.

Price and Trading Volume

	Traded volume	Closing price, SEK	Market capitalization, GSEK
June	670,223,972	83	249
July	100,644,648	79	237
Total	***770,868,620***		

Changes in Share Capital

	Number of shares	Par value, SEK/share	Share capital, SEK	Average no. of shares (full year 1998 and 1999 and Jan–Jun 2000)
Share capital, Dec. 31, 1998, and Dec. 31, 1999	***8,800,000***	***1,000.00***	***8,800,000,000***	***2,851,200,000***
Bonus issue, May 20, 2000	–	1,036.80	323,840,000	–
324:1 split, May 20, 2000	2,842,400,000	3.20	–	–
New share issue, settlement date June 16, 2000	150,000,000	3.20	480,000,000	–
Share capital, June 30, 2000	***3,001,200,000***	***3.20***	***9,603,840,000***	***2,863,562,637***

Shareholder Structure, June 30, 2000

Interval, number of shares	No. of shareholders	%	Total no. of shares	%
1–100	370,281	38.5	36,868,277	1.2
101–1,000	583,320	60.6	156,169,662	5.2
1,001–10,000	6,866	0.7	20,007,228	0.7
10,001–100,000	1,023	0.1	30,022,342	1.0
100,001–1,000,000	313	0.1	103,072,598	3.4
1,000,001+	111	0.0	2,655,059,893	88.5
Total	***961,914***	***100.0***	***3,001,200,000***	***100.00***

Major Shareholders, June 30, 2000

	Number of shares	%
Swedish state	2,100,840,000	70.0
Fourth National Pension Fund	47,500,000	1.6
Försäkringsbolaget SPP	42,511,356	1.4
Livförsäkrings AB Skandia	26,788,033	0.9
Gamla Livförsäkrings AB SEB Trygg Liv	19,495,000	0.7
AMF Pensionsförsäkringar AB	12,740,000	0.4
Länsförsäkringar Wasa Liv	9,329,930	0.3
Sixth National Pension Fund	9,004,000	0.3
SPP Livförsäkring AB	8,555,145	0.3
SEB Sverige Offensivfond	7,932,800	0.3
SEB Aktiesparfond	7,265,000	0.2
SEB Sverigefond 1	7,189,000	0.2
Other Swedish shareholders	443,106,607	14.8
Non-Swedish shareholders	258,943,129	8.6
Total	***3,001,200,000***	***100.0***

Additional statistics on shareholders are available at www.telia.com, Investor Relations.

Accounting Principles

Consolidated financial statements. For the second quarter as well as in the most recent annual report, the Telia Group's accounts have been prepared in accordance with the Swedish Annual Accounts Act and applying International Accounting Standards (IAS). In the balance sheet, pension obligations have been reduced by the market value of funds reserved for Telia's pension funds. The accounts for the parent company Telia AB were prepared in accordance with Swedish legislation and generally accepted accounting principles in Sweden.

IAS 39, "Financial Instruments," takes effect on January 1, 2001. No evaluation has been made of the effect on income, if any, that would result from the application of IAS 39.

Leasing. When the Group sold fiber and ducts in the operations of its international carrier business, title was not transferred to the lessee. For such cases, IAS 17 does not provide clear-cut rules on how to classify contracts entered into as financial or operating leases. However, U.S. GAAP (FIN 43) stipulates that title must be transferred for the sale of integral equipment to be reported as a financial lease. Taking the above into consideration, Telia decided to report these transactions as operating leases in the consolidated financial statements.

Securitization. During the first half of the year, some of the Group's leasing receivables were securitized. IAS practice (application of SIC-12) is under preparation. U.S. GAAP (FAS 125) stipulates that leasing receivables be included in the consolidated accounts, with the terms stipulated by the securitization contracts. Telia chose to include the securitized leasing receivables in its consolidated financial statements.

Pro forma accounts. At the start of the year 2000, a new business organization for the Group was successively introduced. Accordingly, comparative figures for the business areas in this report have been restated pro forma.

Client Company Funds at SPP

The Group's share of client company funds at SPP amounts to a nominal MSEK 541, according to information from SPP. The funds can be applied over a period longer than three years, so they have been discounted. The discount rate used was 5.5%. The discounted amount, MSEK 475, is reported as other revenue and as an asset in the balance sheet, divided into current and long-term claims as recommended by the Swedish Financial Accounting Standards Council's provisional committee in a statement.

Related Party Transactions

The Swedish state. The Telia Group's range of services and products is offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain government-owned companies conduct business in competition with Telia. Likewise, Telia purchases services from state-owned companies at market rates and on conventional commercial terms. Neither the Swedish government, its agencies, nor state-owned companies represent a significant share of Telia's net sales or income.

Telia pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities, as must other operators subject to registration with the PTS. The fee is set at 1.5 thousandths of the sales that the operator has for activities that require a permit.

Comsource and the associated company Eircom. Telia owns 40% of the Irish company Comsource UnLtd; KPN of the Netherlands owns the other 60%. Comsource in turn owns 35% of the shares in Eircom plc. At the end of the period, Telia had interest-bearing loans to Comsource totaling MSEK 5,826, granted primarily to finance the acquisition of the company's stake in Eircom.

Unisource. Telia, Swisscom, and KPN of Holland own equal stakes in Unisource N.V. All operations in Unisource except for AUCS Communications Services were sold or shut down in 1999. Thus, Unisource received cash and cash equivalents that have now been lent pro rata to the partners pending final closure of the company. Telia's debt to Unisource at June 30 totaled MSEK 3,280.

Tess. Telia owns a participating interest in Tess S.A., a mobile operator in Brazil, making it an associated company. At the end of the period, Telia AB had interest-bearing claims on Tess totaling MSEK 648.

In addition, Telia buys and sells to a limited extent services and products from other associated companies. The transactions between Telia and these associated companies, as well as the transactions mentioned above, are conducted on commercial terms.

Non-Cash Transactions

Scandinavia Online. Telia invested MSEK 153 in the associated company Scandinavia Online AB (SOL) with no cash payment in conjunction with the listing of the company on the stock exchange. Telia received new shares in SOL by converting a claim of MSEK 50 and by contributing all shares in its Finnish subsidiary Telia InfoMedia Interactive Oy, with an assessed market value of MSEK 103. The other partners in SOL also contributed operations, thus diluting Telia's stake in the company and resulting in a non-cash capital gain of MSEK 160.

Altitun. The entire shareholding in Altitun AB was sold for consideration in the form of shares in the listed U.S. company ADS Telecommunications, Inc. This transaction resulted in a non-cash investment and capital gain of MSEK 174.

Eriline. Telia's Brazilian associated company Eriline Celular S.A. owns a small stake in the operator Tess S.A. A claim of MSEK 235 MSEK on Eriline has been converted into shares in the company.

Definitions

EBITDA. Operating income with depreciation, amortization, and write-downs added back.

Underlying EBITDA. EBITDA adjusted for share of earnings in associated companies, capital gains/losses (excluding capital gains/losses in the venture capital business and from telecom investments outside the Nordic countries), costs of personnel restructuring (including contractual pension obligations), common pension commitments, year 2000 compliance, the stock exchange listing, and preparations for integration with Telenor.

Adjusted equity. Reported equity less the proposed dividend.

Capital employed. Balance sheet total less non-interest-bearing liabilities, non-interest-bearing provisions reported, and the proposed dividend.

Operating capital. Capital employed excluding financial assets but including participations in associated companies and non-interest-bearing accounts receivable.

Net interest-bearing liability. Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

Net borrowings. Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.

Underlying EBITDA margin (underlying gross margin). Underlying EDITDA expressed as a percentage of net sales.

Rate of turnover of capital. Net sales divided by the average balance sheet total.

Return on capital employed. Operating income plus financial revenues expressed as a percentage of average capital employed. For partial years, the return is calculated on a rolling 12-month basis.

Return on equity. Net income expressed as a percentage of average adjusted equity. For partial years, the return is calculated on a rolling 12-month basis.

Equity/assets ratio. Adjusted equity expressed as a percentage of the balance sheet total.

Debt/equity ratio. Net interest-bearing liabilities divided by adjusted equity.

Interest coverage rate. Operating income plus financial revenues divided by financial expenses.

Net cash flow. Increase (–) or decrease (+) in net interest-bearing liabilities.

Earnings per share. Net income divided by the weighted average number of shares.

ISDN channels. Each basic access is counted as two channels, and each primary access as 30 channels.

Churn. Number of customers that have left the company expressed as a percentage of the average number of customers.

ARPU. Average monthly revenue per subscription.

Notation conventions. To conform with Swedish and international standards, this report applies the following notations.

Currencies:	Swedish kronor	SEK
Prefixes:	million	M
	billion	G